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Wednesday, July 18, 1917

Simultaneous announcement that several corporations will shortly bring out issues of short term securities has led to general discussion of the possibility that there may soon be a rush of corporate financing. Such a development does not seem likely, however. The time is not propitious, though conditions are pretty sure to be even less favorable a month hence than they are now. The sale of new corporate securities henceforth will be practically only in the intervals between flotations of government bonds, and then in limited amounts. Within a few weeks the next Liberty Loan campaign will be in full swing.

It is true that there has recently been some improvement in the demand for investment securities, but even so, the market does not seem broad enough to absorb any considerable number of new offerings. It is significant that so strong a concern as the General Electric Company has fixed the rate of interest on the forthcoming note issue at 6 per cent, while the notes may be offered on a 6 1/4 per cent basis.

New offerings, other than those necessary for refunding purposes, will probably be confined, for the greater part, to those companies which, for one reason or another, are in urgent need of money, for the simple reason that only the most pressing demands can be satisfied. Luckily, there are comparatively few companies requiring funds at this time. The extraordinary prosperity which has prevailed for the last two years or more has enabled many industrial concerns which normally might be expected to make demands on the money market to build up huge cash reserves, and they are, therefore, in a comfortable position, regardless of conditions in the investment markets. Not a little criticism has been made of the directorates of various corporations for their failure to adopt more liberal policies in the matter of dividend disbursements. The wisdom of conservatism in this respect is now being amply vindicated.

It is said that a good many manufacturers require large amounts of money just now, because, owing to traffic congestion, the embargo and other things, deliveries have been held up. This does not mean, as has been suggested, that such companies will have to float securities. It is rather a matter of bank credit.

It happens, fortunately, that no great amount of refunding is in prospect in the immediate future. Corporate maturities in August will be less than \$30,000,000, while in September between \$50,000,000 and \$60,000,000 will fall due. A considerable portion of the securities maturing in those months will, however, be retired.

The extent to which railway net earnings will be increased by war economy measures, such as the curtailment of passenger service, cannot be measured as yet, but it will be very large, as is evident from some figures given out by Fairfax Harrison, chairman of the Railway War Board. He reports that the saving in transportation will amount to 16,267,028 passenger miles—that is, the equivalent of transporting 16,267,028 passengers one mile. The saving of coal alone will amount to 1,120,000 tons, and that is by no means the most important item. Elimination of unnecessary passenger trains not only reduces consumption of wages, fuel and other supplies, but it makes available for freight service much needed equipment and the labor to run it.

Money and Credit

Although money rates were firmly maintained yesterday the local market was quieter and fluctuations were much less erratic. The ruling for call money at the Stock Exchange was 6 per cent, though at one time it dropped as low as 5 1/2 per cent.

In the market for time loans based on Stock Exchange collateral there was a moderate demand, particularly in the longer maturities. Ruling rates of money yesterday, compared with a year ago, were as follows:

	Over 150 days	Over 180 days	Over 210 days	Over 240 days	Over 270 days	Over 300 days
Boston.....	3 1/2	4	4	4	4	4
New York.....	3 1/2	4	4	4	4	4
Philadelphia.....	3 1/2	4	4	4	4	4
Cleveland.....	3 1/2	4	4	4	4	4
Richmond.....	3 1/2	4	4	4	4	4
Atlanta.....	3 1/2	4	4	4	4	4
St. Louis.....	3 1/2	4	4	4	4	4
Minneapolis.....	3 1/2	4	4	4	4	4
Kansas City.....	3 1/2	4	4	4	4	4
Dallas.....	3 1/2	4	4	4	4	4
San Francisco.....	3 1/2	4	4	4	4	4

Bank Clearings.—The day's clearings at New York and other cities:

	Exchanges	Balances
New York.....	\$712,635,436	\$66,770,054
Baltimore.....	7,376,485	866,154
Boston.....	46,529,293	7,171,710
Chicago.....	90,510,321	6,701,357
Philadelphia.....	56,643,902	8,370,131
St. Louis.....	21,258,748	5,144,263

Sub-Treasury.—New York banks gained from the Sub-Treasury \$2,882,530.

Silver.—Bars in London, 40 1/2, off 3-16; New York, 80 1/2, off 1/2; Mexican dollars, 63 cents, off 1/4 cent.

Gold Currents.—The Sub-Treasury transferred yesterday \$707,000 by telegraph to San Francisco on the account of local banks.

The Dollar in Foreign Exchange.

Russian exchange developed pronounced weakness in the local market yesterday, rubles declining to a new low record of 21.25 cents and closing at 21.55 cents. Bankers reported only a slight increase in the volume of ruble bills offered and attributed the decline more to the sentimental effect of the late developments in the Russian political situation.

Other exchange rates were firmly maintained as a rule, with the exception of Swiss francs, which declined fractionally.

Closing rates yesterday, compared with a week ago, are given in the table below. American bankers have suspended all dealings in German marks, Austrian exchange, so that daily quotations for either marks or kronen are no longer available.

	Yesterday	Week ago
(Quoted dollars to the pound.)		
Sterling, demand.....	\$4.75 1/2	\$4.75 1/2
Sterling, sixty days.....	4.72 1/2	4.72 1/2
Sterling, ninety days.....	4.76 1/2	4.76 1/2
Sterling, three months.....	4.69 1/2	4.70
(Quoted units to the dollar.)		
Francs, demand.....	5.73 1/2	5.73 1/2
Francs, cables.....	5.74 1/2	5.73 1/2
Lire, cables.....	7.21 1/2	7.21
Swiss, cables.....	4.67	4.70
Swiss, checks.....	4.65	4.63
(Quoted cents to the unit.)		
Guillemots, checks.....	41 1/4	41 1/4
Guillemots, cables.....	41 1/4	41 1/4
Rubles, cables.....	21.55	23.90
Stockholm, kr., chks.....	31.00	31.00
Copenhagen, kr., chks.....	28.90	29.00
Penagos, checks.....	22.90	23.05

Below is given the current exchange value of foreign money in dollars and cents, together with the intrinsic gold parity, as calculated by the United States Mint:

	Current exchange	Intrinsic value
Pounds, sterling.....	\$4.75 1/2	\$4.86 5/8
Francs.....	0.17 1/4	0.19 3/8
Guillemots.....	0.04 1/4	0.04 1/2
Rubles.....	0.21 3/4	0.21 3/4
Lire, checks.....	0.13 1/4	0.19 3/8
Crowns (Denmark).....	0.28 1/2	0.26 1/2
Crowns (Sweden).....	0.31 1/2	0.26 1/2

The above rates express the cost of foreign money in terms of the American dollar. You buy an English pound sterling at, say, \$4.75 1/2. The intrinsic value is \$4.86 5/8 per pound. Thus, you say either that pounds are at a premium, which is owing to the fact that in England the demand for dollars with which to settle accounts in this country is greater than the demand in this country for pounds with which to settle accounts in England.

End Conference on Loan Campaign

Banking Community Awaits Details of Next Government Financing

Informal conferences between the several governors of Federal Reserve banks who have been in the city this week and representatives of the Liberty Loan Committee ended yesterday without any inclination on the part of those who participated in the discussions to face another round of talks with the public into their confidence.

The meeting, it is understood, has come to an end, most of the visiting Federal Reserve bankers having left the city.

One result of the conference, it is intimated, has been to place the heads of the Federal Reserve banks in other districts in closer touch with the methods employed by the local committees to distribute the recent issue of Liberty Loan bonds.

A report on the publicity work done in behalf of the loan in the New York district, submitted by Guy Emerson, secretary of the Liberty Loan Committee, was issued yesterday in time for each of the visitors to carry home a copy.

Definite information as to when the next offering of war bonds will be brought out is awaited in financial circles with some anticipation. "We know an offering is coming," said one banker, "so the quicker we learn the time and amount of the issue the sooner we can begin to prepare for the work ahead of us."

Silver Exports to India Stopped by Great Britain

American Exporters Are Forced to Ship Gold to Far East

Bankers doing business with the Far East received word by cable yesterday that Great Britain has taken steps to check the shipment of silver from the United States to India. The movement has reached unusually large proportions in recent months, as American merchants have found it the only method by which they could make payment for raw materials bought in India. Incidentally, it is learned that gold shipments from this country to India are being permitted under license of the British government, and that approximately \$1,500,000 in gold has already been exported to that country in lieu of silver. The price of silver declined 1/2 cent to 80 1/2 cents an ounce yesterday. Early in the week the metal sold at 81 1/4 cents.

High Price Responsible. Apprehension in London over the steady climb in silver prices, which are now at the highest level in twenty-five years, is understood to be responsible for the step taken by the British Treasury. Local bankers placed little credence in the suggestion made yesterday that Great Britain was jealous of her control of the world's silver market and was for this reason checking the direct shipment of silver from the United States to India. Before the war practically all the silver that went to India passed through London, which for years has had almost absolute control of the world's silver market. It is believed here that inasmuch as England and the other Allies have been very heavy buyers of the metal since the war began, the move to check the flow of silver to India is an attempt to stop that particular drain on the world's supply.

Indians Want Hard Money. The announcement received from India yesterday regarding the change said that "the Indian government will acquire all silver shipments on arrival against payment in London."

This means that the Indian government will take the silver imported from the United States and give the shipper or his representative in India sterling drafts on London. In normal times this would be acceptable to the American shipper of the silver, who could convert the sterling drafts into rupees with which to pay the Indian merchant, but in recent months the Indian exchange market has become so demoralized that sterling drafts and dollar drafts are not wanted in India.

This is the reason why American houses importing hides, jute and other raw materials from India have since the first of the year resorted to paying in hard money—that is to say, silver, which they would sell on its arrival in India, thereby converting it into rupees and paying off the Indian merchant, thus completing the business transaction. Now, however, with the new arrangement in force, whereby the Indian government takes the silver and gives sterling drafts in exchange, there is no purpose in shipping silver. It is believed that the United States to India will be effectively stopped as a result.

Now Shipping Gold

There remains to the American importer of Indian raw materials one method by which he can pay the Indian merchant, and that is through the costly expedient of shipping gold. This is already being done on a fair scale, and the movement is likely to increase if the war continues. Under the new arrangement gold imports into India are permitted under license of the government, which acquires all gold on arrival, giving in exchange 15 rupees to the English sovereign, and in the case of bullion one rupee for 7.5344 grains of fine gold.

Such gold as is being shipped to India from the United States at the present time to settle the trade balance is in the form of ten-ounce bars, which are most acceptable in the Indian markets. The gold is being shipped from San Francisco, and goes to India via Hong Kong. The insurance and freight charges plus interest make the trans-

action expensive, but certain American importers of raw materials have had to make a choice between shipping the gold or going out of business.

The Exchange Situation

The facts about the Indian exchange situation are interesting. In normal times India usually exports more than she imports. The balance then has to be paid in shipments of gold, shipments of silver or in the transfer of funds on India, usually obtained by sales of the so-called India Council bills, made by the India Council in London. Since the war began, however, gold shipments from England have not been permitted, while the high price of silver has tended to restrict shipments of this metal also.

The use of the third mode of remittance, the council bills, has been available, but the exports of India have increased so greatly that the British government has had to limit the amount of bills sold in order to avoid exhausting the funds available in the Treasury of India. Various arbitrary limits have been set, the amount now being about 120,000,000 rupees a week. This has proved insufficient, and the demand for exchange on India from all over the world has sent rupees to the heavy premium.

Traders in neutral countries, especially the United States, have been particularly hard hit, owing to their inability to make remittance to India via the usual London channels. This started the silver export movement from the United States early this year, which has now been checked by the British government, and will likely be followed now by the export of gold on a considerable scale.

Penn. Railroad Disposes of All Its Coal Properties

Big Anthracite Holdings Purchased by M. A. Hanna & Co.

Philadelphia, July 18.—The Pennsylvania Railroad Company to-day announced that it has sold all its anthracite mining properties and collieries to M. A. Hanna & Co., of Cleveland. The sale is one of the most important transfers of anthracite coal properties in recent years. It is made to comply with the interstate commerce law, but it follows the determination of the Pennsylvania Railroad, reached several years ago, to divest itself of interests not directly concerned in the transportation service. The greater part of the company's hard coal property was operated by the Susquehanna Coal Company, whose entire capital stock was owned by the Pennsylvania Railroad. The company mined about 5 per cent of the entire anthracite production. Traffic originating at the mines will, it is understood, remain in control of the Pennsylvania.

It is stated here that the Delaware & Hudson Company, which has extensive mining interests in the northern anthracite fields, had a long-time option on the property, but sought certain concessions which the Pennsylvania Railroad would not concede.

While there is no official information to be had here, it is said the new owners of the coal property will ship the product to territory as far west as St. Paul. The amount of coal in the mines is estimated at 190,000,000 tons.

Bankers Discuss Spanish Exchange

Washington, July 18.—The high premium of the Spanish peseta over the American dollar in foreign exchange, due, it is believed to artificial methods employed by the Spanish government and Spanish bankers, was the subject of a conference to-day among Federal reserve officials and New York bankers. No corrective procedure was decided on, but the question will continue under investigation.

Elections

Charles J. McDermott yesterday was elected a director of the Metropolitan Trust Company, to fill a vacancy in the board.

Corporation Returns

Detroit Edition

	1917	1916
June gross.....	\$888,769	\$716,740
Net income.....	\$32,886,000	\$102,000,000
Surplus.....	148,493	150,788

Significant Relations

	Now	1917	1916
Stock of money gold in the country.....	\$3,088,711,272	\$2,331,494,834	
Loans of all national banks.....	\$8,751,000,000	\$7,606,000,000	
Total reserve (i. e., cash in national bank vaults and on deposit with Federal Reserve banks).....	1,525,000,000	1,205,000,000	
Ratio of this total reserve to gross deposit liabilities of national banks.....	11.7%	10.8%	
Bills discounted and bought by Federal Reserve Banks.....	\$335,100,000	\$105,098,000	
Federal Reserve notes in circulation.....	\$32,598,000	157,578,000	
Total gold reserves.....	1,353,371,000	\$502,820,000	
Average price of 15 railroad stocks.....	109.56	110.49	118.90
Average price of 12 industrial stocks.....	96.35	97.10	89.69
Food cost of living (Annalist index number).....	265.614	264.789	169.961
Production:			
Unfilled U. S. Steel orders, tons.....	11,383,287	11,886,591	9,640,458
Pig iron (daily average), tons.....	109,002	117,238	109,002
Active cotton spindles.....	33,463,946	33,469,169	32,261,694
Wheat crop, bushels.....	639,866,000	1,012,000,000	1,012,000,000
Corn crop, bushels.....	2,593,241,000	3,055,000,000	3,055,000,000
Cotton crop, bales (exc. linters).....	11,356,944		11,068,173
Distribution:			
Net shortage of freight cars.....	105,127	148,827	33,361
Net surplus of freight cars.....			
Gross railroad earnings.....			
Bank clearings.....			
Commercial failures.....	1,186	1,296	1,227

*Gold held by Reserve agents against circulation included in general fund beginning June 23, 1917. For purposes of comparison it is included in the 1916 figures.

Govt. Will Buy Locomotives for Export to France

Intricacies of Price Regulation Hold Steel Trade in Abyeance

The United States government is preparing to place contracts with railway equipment concerns for locomotives of a standard type, which are to be shipped to France for use on the French railway lines. This was learned yesterday from the representative of one of the leading American corporations engaged in building locomotives. It is understood that the number of engines to be bought by the government for export to France will exceed a hundred.

Confirmation of a report that the French government contemplated the purchase of 1,600 locomotives from American builders could not be obtained. It was stated that the American Locomotive Company has on hand orders for nearly three hundred locomotives from French railroads, while the Baldwin Locomotive Works has contracts for a like number. The French government itself has bought in all only about a hundred locomotives.

It was reported yesterday that an order has been placed with American car manufacturers for 2,400 gondola type cars by the Hudson's Bay Company for shipment to the Dutch West Indies. The Russian government, which recently closed a contract for 500 locomotives, is said to be in the market for 10,000 freight cars. Thus far American equipment builders have not named prices on this business, mainly because of the uncertainty over whether or not the United States government will handle the order eventually, or whether it will be done direct by Russia.

While Washington labors with the intricacies of price regulation, the iron and steel market continues to present the appearance of suspended animation. "New business," says "The Iron Trade Review," "except for government requirements, direct or indirect, has been largely held up. Similarly the upward climb of prices has been stayed. Confusion of the week has been the appearance of suspended animation."

Whether or not the open trade in steel with the government will be the lower prices is the crux of the situation from a market standpoint. Buyers of pig iron see no incentive to place further orders under the present uncertainty. The column of sales remains greatly shrunken. There is no pressure to sell, however, except in the case of Bessemer, where the export decree now effective has forced back some iron on the market.

"The Iron Age" says the uncertainty as to export license affect millions of dollars' worth of product against which irrevocable credit has been arranged. Mills will have to decide whether rollings shall proceed, leaving the buyer to dispose of the product where shipment abroad cannot be made.

News Digest

Foreign

Investment Issues Strong in London.—London, July 18.—Money was easy to-day and discounts were dull. In the stock market renewed strength was shown by gilt-edged issues on investment buying. Argentine rails were buoyant on rumors of increased freight charges. The market in general was cheerful. Russians were exceptions, being influenced by the latest news and the sharp rise in exchange. Most of the speculative issues were firm. Canadian silver mines were prominent. There were occasional sales of low-priced American stocks.

Bar Silver.—40 1/2-41 1/2 an ounce. Money, 3 1/2-4 1/2 per cent. Discount rates: Short bills, 4 1/2 per cent; three months' bills, 4 1/2-5 per cent. Gold premium at Lisbon, 99.00.

Paris Market Firm.—Paris, July 18.—Prices were firm on the Bourse to-day. Three per cent rentes 60 francs 70 centimes for cash. Exchange on London 27 francs 18 centimes. Five per cent loan 88 francs 50 centimes.

Bituminous Coal Shipments.—The total number of carloads of bituminous coal that originated on eighty-five railroads in June, as given by the United States Geological Survey, was 759,722, compared with 594,531 in that month a year ago; and of beehive coke, on sixteen roads, was 76,079, against 72,731 in June, 1916. Of the largest producers, eleven roads operating in Central Pennsylvania, Maryland and New River and Pocahontas field of West Virginia and Virginia, gave a total of 186,196 carloads of soft coal; eleven roads in Eastern Kentucky and West Virginia furnished 173,728, and twenty-two roads located in Illinois, Indiana and Western Kentucky gave 172,335 carloads. Total shipments of bituminous coal in June showed an increase of 1,156 cars over May, or 15 per cent, payable August 15, 791 over June, 1916, or more than 26 per cent.

Extra Dividends Declared.—Directors of the Carsten Steel Tool Company have declared an extra dividend of 1/2 of 1 per cent and the regular quarterly dividend of 2 per cent, payable August 10 to stockholders of record August 1. The Carlson-Wenstrom Company, a subsidiary of the Carsten Company, has declared a dividend of 25 per cent.

The Dow Chemical Company has declared an extra dividend of 6 1/4 per cent along with the regular quarterly dividend of 1 1/4 per cent on the common shares, payable August 15 to stockholders of record August 4. An extra dividend of 1 per cent in addition to the regular quarterly dividend of 1 1/4 per cent on the common stock has been declared by the Riondon Pulp and Paper Company, payable August 15 to stockholders of record August 8.

Dividends.—Pacific Mail Steamship.—Regular quarterly dividend of 1 1/2 per cent on the preferred stock, payable September 1 to stockholders of record August 18.

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